AMENDED IN ASSEMBLY JUNE 1, 2007 AMENDED IN ASSEMBLY APRIL 11, 2007

CALIFORNIA LEGISLATURE—2007—08 REGULAR SESSION

ASSEMBLY BILL

No. 493

Introduced by Assembly Member Ruskin (Principal coauthor: Assembly Member Huffman) (Coauthor: Assembly Member DeSaulnier Coauthors: Assembly Members Caballero, DeSaulnier, Feuer, and Hancock)

February 20, 2007

An act to add Article 3 (commencing with Section 43300) to Chapter 2 of Part 5 of Division 26 of the Health and Safety Code, relating to vehicles, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 493, as amended, Ruskin. Motor vehicle greenhouse gas emissions: incentive program.

Existing law designates the State Air Resources Board as the state agency with the primary responsibility for the control of vehicular air pollution and as the state agency charged with monitoring and regulating sources of emissions of greenhouse gases that cause global warming in order to reduce emissions of greenhouse gases. The state board is required to adopt a statewide greenhouse gas emissions limit equivalent to the statewide greenhouse gas emissions levels in 1990 to be achieved by 2020, and is required to adopt rules and regulations in an open-public process to achieve the maximum technologically feasible and cost-effective greenhouse gas-emission emissions reductions.

This bill would require the state board to create and implement a clean vehicle incentive program meeting specified requirements, that would

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provide rebates to, and require surcharges from, purchasers of new motor vehicles based on the vehicles' greenhouse gas emissions to mitigate against emissions of greenhouse gases from motor vehicles.

The bill would create the Clean Vehicle Incentive Account to be administered by the state board in consultation with the State Board of Equalization. All funds collected from surcharges would be required to be deposited into this account and all clean vehicle discounts would be required to be taken from the account. Moneys in the fund would be continuously appropriated to the state board to fund the clean vehicle incentive program.

Vote: majority. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Article 3 (commencing with Section 43300) is added to Chapter 2 of Part 5 of Division 26 of the Health and Safety Code, to read:

Article 3. Clean Vehicle Incentive Program

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43300. The Legislature finds and declares all of the following:

- (a) According to the State Energy Resources Conservation and Development Commission, the transportation sector is the largest source of greenhouse gas emissions in California.
- (b) Multiple independent economic studies indicate that undertaking action to reduce greenhouse gas emissions will likely create long-term economic benefits to the state's economy.
- (c) While substantial progress has been made in reducing smog-forming emissions from new motor vehicles, there remain disparities in the amount of allowable emissions of criteria pollutants among the identified categories of exhaust emissions standards for passenger vehicles—and light-duty trucks sold in California.
- (d) Monetary incentives can augment existing state vehicle emissions standards by encouraging automobile buyers to purchase cleaner vehicles and by encouraging manufacturers to offer more low-emitting vehicle choices to California consumers.

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(e) One-time rebates on the purchase of new motor vehicles that emit low amounts of greenhouse gases are a reasonable and appropriate method to incentivize the purchase of these vehicles.

- (f) One-time surcharges on the purchase of new motor vehicles that emit high amounts of greenhouse gases are a reasonable and appropriate method to disincentivize the purchase of and internalize the environmental cost to the public of these vehicles.
- (g) The creation of a clean vehicle incentive program to reduce greenhouse gas emissions from motor vehicles is a market-based mechanism that does not create any new regulatory standard under the law.
- (h) Recent studies authorized by the California Environmental Protection Agency and the State Energy Resources Conservation and Development Commission have found that the impact of global warming to California residents is likely to be quite severe, especially if action to curb global warming emissions is not taken.
- (i) Existing state tailpipe standards for criteria air pollutants and greenhouse gas emissions from new motor vehicles are measured on a grams per mile basis.
- 43300.5. (a) It is the intent of the Legislature in enacting this article to establish a market-based clean vehicle incentive program consisting of one-time rebates and one-time surcharges on the purchase of new motor vehicles to mitigate against emissions of greenhouse gases from motor vehicles.
- (b) It is the intent of the Legislature that this program be self-financing and not increase expenditures from or reduce revenues into the General Fund.
- 43301. For purposes of this article, the following terms have the following meanings:
- (a) "Account" means the Clean Vehicle Incentive Account created by Section 43313.
- (b) "Carbon dioxide equivalent" means a metric, as determined by the state board, used to compare or identify the emissions from various greenhouse gases based upon their global warming potential derived by multiplying the tons of the gas by the associated global warming potential.
- (c) "Contributory pollutant" means an air toxic pollutant or contaminant, including, but not limited to, black carbon, carbon monoxide, and nitrous oxide, for which the state board has determined contributes to global warming.

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(d) "Criteria air pollutant" means an air pollutant for which the United States Environmental Protection Agency has issued primary or secondary national air quality standards pursuant to Sections 108 and 109 of the federal Clean Air Act (42 U.S.C. Secs. 7408 and 7409), including carbon monoxide, lead, nitrogen oxides, ozone, particulate matter, and sulfur dioxide.

- (e) "Dealer" means dealer as defined in Section 285 of the Vehicle Code.
 - (f) "Department" means the Department of Finance.
- (g) "Emergency vehicle" means an authorized emergency vehicle as defined in Section 165 of the Vehicle Code.
- (h) "Greenhouse gas factor" means a dollar value, as determined by the state board, assigned to carbon dioxide equivalent emissions per mile from a motor vehicle. At the discretion of the state board, this may be expressed in dollars divided by grams of carbon dioxide equivalent per mile (\$/g CO₂ -eq/mi).
- (i) "Greenhouse gases" means carbon dioxide, hydrofluorocarbons, methane, oxides of nitrogen, perfluorocarbons, and sulfur hexafluoride, and any other gases that the state board determines contributes significantly to global warming.
- (j) "Motor vehicle" and "vehicle" mean a passenger vehicle, light-duty truck, or any other vehicle that is subject to the regulations pursuant to Section 43018.5, whether or not Section 43018.5 remains in effect.
- (j) "Motor vehicle" and "vehicle" mean a light- or medium-duty passenger vehicle with a gross vehicle weight rating of 10,000 pounds or less, as determined by the state board.
- (k) "New motor vehicle" means new vehicle as defined in Section 430 of the Vehicle Code.
- (1) "Program" means the Clean Vehicle Incentive Program established pursuant to this article.
- (m) "Retail sale" means a retail sale as defined in Section 6007 of the Revenue and Taxation Code of a new motor vehicle.
- (n) "Zero band" means that portion of a linear scale of rebates and surcharges in which vehicles are assigned neither a rebate nor a surcharge.
- 43302. (a) (1) Any California resident who becomes a motor vehicle owner by purchasing a new motor vehicle at a retail sale in California shall receive a clean vehicle rebate for the purchase on or after July 1, 2010, of a new motor vehicle of model year

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2011 or later, determined by the state board to be eligible for a rebate in the amount assigned by the state board pursuant to regulations adopted under this article.

- (2) The dealer shall clearly indicate the amount of the rebate owed to the new motor vehicle owner on the purchase receipt and contract, or lease agreement as applicable.
- (3) In order to receive the rebate, the motor vehicle owner shall file a claim *on a form prescribed by the State Board of Equalization* through the dealer at the time of purchase.
- (4) The dealer shall facilitate and accept these claims from the new motor vehicle owner and shall submit these claims to the State Board of Equalization on a form prescribed by the State Board of Equalization, in a time, place, and manner determined by the State Board of Equalization, that shall be accompanied by proof of vehicle purchase from the dealer. The proof of purchase shall include, at a minimum, all of the following:
 - (A) The date when the vehicle was purchased.
 - (B) The year, make, and model of the vehicle purchased.
 - (C) The vehicle identification number (VIN) of the vehicle.
 - (D) The price paid for the vehicle.

- (5) The State Board of Equalization shall pay the rebate to the eligible new motor vehicle owner through electronic funds transfer if requested by the owner.
- (6) The State Board of Equalization shall make every reasonable effort to pay the rebate to the eligible new motor vehicle owner within 60 days of receiving the rebate claim form. No interest shall be paid on any rebate made pursuant to this article.
- (b) (1) Except as otherwise provided for in this article, a person who becomes a motor vehicle owner by purchasing at a retail sale, on or after July 1, 2010, a new motor vehicle of model year 2011 or later, determined by the state board to be subject to an emissions surcharge, shall pay the emissions surcharge in the amount determined by the state board pursuant to regulations adopted under this article.
- (2) Dealers shall collect from the new motor vehicle owners the emission emissions surcharge at the time of retail sale.
- (3) Dealers shall clearly indicate the amount of the emissions surcharge paid by the new motor vehicle owner on the purchase receipt and contract, or lease agreement as applicable.

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(4) All emissions surcharges collected by a dealer shall be owed to the state and be due and payable to the State Board of Equalization in a time, place, and manner prescribed by the State Board of Equalization.

- 43303. (a) No later than July 1, 2009, the state board, in consultation with those other agencies that the state board determines are appropriate, and after at least two public workshops, shall adopt regulations to create and implement a clean vehicle incentive program as described in this article that achieves the maximum feasible and cost-effective reduction of greenhouse gas emissions from motor vehicles.
- (b) The regulations shall, consistent with Section 43304, establish a schedule of one-time clean vehicle rebates and one-time emissions surcharges for all new motor vehicles not otherwise excluded in this article.
- (c) The schedule of rebates and surcharges shall take effect July 1, 2010, and shall apply to motor vehicles with the 2011 model year and each model year thereafter.
- 43304. (a) The state board shall calculate, using a linear scale, the rebate or surcharge to be applied to any motor vehicle subject to the program based on the vehicle's emissions of greenhouse gases, compared to the greenhouse gas emissions of all vehicles of the same model year that are subject to the program.
- (b) To calculate the rebate or surcharge pursuant to subdivision (a), the board state board shall determine the difference between a motor vehicle's emissions of greenhouse gases, as determined pursuant to Section 1961.1 of Title 13 of the California Code of Regulations, by the state board, and the average emissions of greenhouse gases of all vehicles subject to the program, for a given model year. The difference identified for each vehicle based on emissions of greenhouse gases shall be multiplied by a greenhouse gases factor, to determine the amount of the rebate or surcharge attributed to emissions of greenhouse gases.
- (c) The amount determined pursuant to subdivision (b) may be adjusted to account for one or both of the following, but no adjustments pursuant to this subdivision shall affect the rebate or surcharge by a factor larger than 20 percent:
- (1) Emissions of contributory pollutants as determined by the state board.

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(2) Emissions of criteria air pollutants based on the vehicle's criteria pollutant certification category pursuant to Section 1961 of Title 13 of the California Code of Regulations, *or subsequent regulations as determined by the state board*.

- (d) Based on the calculations made pursuant to subdivisions (b) and (c), the state board shall assign a rebate or surcharge to every motor vehicle subject to this program that reflects its relative emissions of greenhouse gases and, at the discretion of the board, its relative emissions of contributory pollutants or criteria air pollutants, compared to all vehicles for the same model year that are subject to the program, and subject to all of the following:
- (1) The state board shall establish a zero band that includes the midpoint of the linear scale and includes not less than 20 percent, nor more than 25 percent, of the fleet of a given model year. Motor vehicles that fall within the zero band shall not be assigned a rebate or a surcharge.
- (A) The zero band shall be designed, placed, and adjusted along the linear scale to ensure that vehicle buyers continue to have a variety of choices among multiple vehicle types, including light light-duty trucks, that are not assigned a surcharge.
- (B) The state board shall consider sales-weighted data in determining the placement of the zero band and the schedule of rebates and surcharges.
- (2) The maximum rebate and surcharge shall not be less than two thousand two hundred fifty dollars (\$2,250) nor more than two thousand five hundred dollars (\$2,500), and no rebate or surcharge shall exceed the amount of the sales tax on the purchase price of the motor vehicle.
- (3) No rebate or surcharge shall be less than one hundred dollars (\$100). Motor vehicles that would otherwise be assigned a rebate or surcharge of less than one hundred dollars (\$100) shall be placed in the zero band.
- (4) The state board may round up or down the assigned rebate and surcharge amounts to the nearest twenty-five dollars (\$25) for each vehicle.
- (e) When setting the schedule of rebates and surcharges for vehicles of a given model year, the state board shall consider previous years sales data and projected sales of motor vehicles in order to ensure that the program will incentivize reductions in greenhouse gas emissions and be self-financing.

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43305. (a) The schedule of rebates and surcharges shall be designed to ensure that the program will be self-financing and will generate adequate revenues to do all *of* the following:

- (1) Fund the cost of all rebates and surcharge refunds associated with the program.
 - (2) Fund all administrative costs associated with the program.
- (3) Provide for a reserve within the program equal to approximately 15 percent of *the* estimated rebates to ensure the account, to the extent possible, will have a positive balance at the end of each fiscal year.
- (b) If the department determines that the amount of the reserve specified in paragraph (3) of subdivision (a) is either excessive or inadequate at the 15-percent level to meet the requirements of paragraphs (1) and (2) of subdivision (a), it may direct the state board to reduce or increase the size of the reserve in a manner to be determined by the state board.
- (c) Once the schedule of rebates and surcharges is set for vehicles in a specified model year, the schedule may be adjusted no more than once per model year to meet the requirements of this section. Any adjustments pursuant to this section shall become operative on the first day of the first month that commences at least 90 days after the state board formally adopts the adjustment to the schedule.
- (d) The state board shall make annual or biennial adjustments to the schedule of surcharges and rebates, and the placement of the zero band, based on recent and anticipated changes in motor vehicle sales to ensure that the program continues to generate adequate revenues to meet the requirements of subdivision (a).
- 43306. (a) The schedule of rebates and surcharges, as adjusted annually or biennially, shall take effect no earlier than July 1 of each subsequent year, and be applied to new vehicles of the next model year accordingly. The state board may make adjustments biennially only if the state board finds that biennial adjustments meet both of the following criteria:
- (1) The state board determines that the program will remain self-financing and is not in jeopardy of running a deficit.
- (2) The state board determines that it is in the best interests of achieving the goals of the program to not make adjustments more often than once every two years.

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(b) In the first year of the program, the state board, in consultation with the State Board of Equalization, may delay implementation of the rebate eligibility for up to 30 60 days after the surcharges initially take effect in order to ensure that adequate funds are available to fund the program's rebates.

- 43307. The rebates and surcharges adopted by the state board shall be assigned to the price of the motor vehicle after applicable taxes have been added. Sales taxes shall not have an effect on the assigned rebate or surcharge.
- 43308. (a) Any-California resident person who purchases a new motor vehicle outside of the state that would otherwise have been subject to an emissions surcharge shall pay the surcharge when the resident person returns to California with the vehicle within 90 days 12 months and registers or is required to register the motor vehicle.
- (b) The surcharge shall be paid to the Department of Motor Vehicles at the time of the vehicle's initial registration *in California*. The state board, the State Board of Equalization, and the Department of Motor Vehicles shall cooperate to develop procedures to implement this subdivision.
- (c) Vehicles purchased outside of California shall not be eligible for a rebate.
- 43309. (a) Any California resident who leases from a dealer a new motor vehicle, otherwise subject to an emissions surcharge, for a term of one year or more, shall be assessed and shall pay the surcharge, but may amortize the surcharge over the life of the lease upon execution of the lease.
- (b) Any California resident who leases from a dealer a new motor vehicle, otherwise subject to a rebate, for a term of one year or more shall qualify for and receive the rebate *pursuant to Section* 43302.
- 43310. (a) The State Board of Equalization shall collect all surcharges and pay all rebates and refunds of surcharges pursuant to the Fee Collection Procedures Law (Part 30 (commencing with Section 55001) of Division 2 of the Revenue and Taxation Code). For purposes of this article, "feepayer" shall include a motor vehicle owner or dealer as applicable.
- 38 (b) For purposes of this article, refunds of surcharges shall be 39 treated the same as refunds under Chapter 5 (commencing with

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1 Section 55221) of Part 30 of Division 2 of the Revenue and 2 Taxation Code.

- 43311. (a) Not later than May 1, 2010, the state board shall make available to the public, including on the state board's Internet Web site, the schedule of rebates and surcharges applicable in the fiscal year following their publication. The updated schedule shall be made available to the public at the time when it is updated.
- (b) The state board shall disseminate information to dealers and consumers about the program, including, but not limited to, all of the following:
- (1) The state board shall notify licensed dealers about relevant details of the program, including identifying, to the extent feasible, motor vehicles that are exempt from the program pursuant to Section 43312 and providing reasonable assistance to help motor vehicle dealers carry out the program.
- (2) The state board may modify the air pollution label that is required to be displayed on new motor vehicles sold in the state pursuant to Section 43200.1, to include specific information on the applicable clean vehicle rebate or emissions surcharge imposed pursuant to this article.
- (3) The state board shall incorporate a public education campaign on the program into existing public education campaigns that seek to inform and encourage the public to purchase cleaner vehicles.
- (c) Dealers shall be required to clearly display the amount of the assigned rebate or surcharge for each new motor vehicle available for sale at the dealership, including a description of the limit on the surcharge based on the sales tax on the purchase price of the motor vehicle pursuant to paragraph (2) of subdivision (d) of Section 43304.
- 43312. (a) Notwithstanding any other provision of this article, a new motor vehicle owner shall be refunded the surcharge that would otherwise be applicable to his or her motor vehicle if that motor vehicle is in any of the following categories:
- (1) Emergency vehicles purchased by any local jurisdiction, county agency, or municipality.
- (2) Motor vehicles purchased or leased by a microbusiness, as defined in Section 14837 of the Government Code, for identified work-related purposes to be determined by the state board in regulations adopted pursuant to this article.

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(3) Paratransit and other motor vehicles designed or modified specifically for the purpose of transporting disabled persons.

- (4) Motor vehicles purchased by the state for use in official state business, except that vehicles purchased or leased for Members of the Legislature shall be subject to the surcharge.
- (4) Vans that are purchased for use in public or private fleets to be used primarily for the purpose of vanpools.
- (5) Motor vehicles purchased or leased by very low income residents of the state, to be defined by the state board *State Board of Equalization* in regulations adopted pursuant to this article.
- (b) Notwithstanding any other provision of this article, motor vehicles that meet both of the following conditions are exempt from this article and shall be identified by the state board pursuant to paragraph (1) of subdivision (b) of Section 43311:
- (1) The motor vehicle's primary exhaust is identified by the Office of Environmental Health Hazard Assessment as a chemical that causes cancer.
- (2) The motor vehicle is not subject to a state-mandated inspection and maintenance program.
- (c) If a motor vehicle is not identified as an exempt vehicle by the state board pursuant to this section, but the purchaser of the vehicle believes that he or she qualifies for an exemption pursuant to this section, the purchaser shall pay the surcharge at the time of sale as required by the article, and shall submit an application to the state board State Board of Equalization within 90 days after payment of the surcharge certifying that the vehicle qualifies for the exemption. The state board State Board of Equalization shall notify the applicant within 60 days of receipt of the application of its determination of whether an exemption will be granted. If the state board State Board of Equalization determines that the vehicle owner qualifies for an exemption from the surcharge pursuant to this section, the state board State Board of Equalization shall reimburse the applicant for the value of the surcharge from the account.
- (d) The state board State Board of Equalization shall prepare and make available to dealers and the public, including on the state board's Internet Web site, an application for use by motor vehicle purchasers seeking reimbursement for a surcharge paid for an exempt vehicle pursuant to subdivision (c). The application shall provide the opportunity for the purchaser to demonstrate that a

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vehicle or vehicle purchaser, as applicable, qualifies for an exemption, specify the period of time within which the purchaser must apply for reimbursement, and provide reasonable means for the applicant to challenge the state board's finding if it determines that a vehicle does not qualify for an exemption.

- 43313. (a) The Clean Vehicle Incentive Account is hereby created *in the State Treasury* to be administered by the state board in consultation with the State Board of Equalization. All emissions surcharges collected pursuant to this article shall be deposited into the account. Moneys in the account are continuously appropriated without regard to fiscal year to pay for all of and may be used only to pay for the following:
 - (1) Clean vehicle rebates.
- (2) Refunds of emissions surcharges as allowed for in this article.
- (3) Reimbursing the State Board of Equalization—for its and the Controller's office for the administrative costs of carrying out—its their responsibilities pursuant to this article.
- (4) Administrative costs of the state board for carrying out its responsibilities pursuant to this article.
- (5) Reimbursing the Department of Motor Vehicles for costs incurred due to carrying out responsibilities pursuant to Section 43308.
- (b) For the initial implementation of this article, the Director of Finance is authorized to transfer, as a loan, up to nine hundred thousand dollars (\$900,000) from the Motor Vehicle Account in the State Transportation Fund into the account. This shall be repaid on or after July 1, 2008, up to one million five hundred thousand dollars (\$1,500,000) from the Vehicle Inspection and Repair Fund into the account. This loan shall be repaid by June 30, 2011, with interest from the account.
- 43314. The state board may regularly collect from motor vehicle manufacturers adequate data to calculate a vehicle's emissions of greenhouse gases to carry out the provisions of this article. This article does not require the board to conduct additional vehicle testing to make the determinations required by this article.
- 43315. In adopting regulations pursuant to subdivisions (a) and (b) of Section 43303, the state board shall determine a manner to account for vehicles that run on an alternative fuel as defined in Section 43867. The state board shall consider upstream

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emissions, as defined in paragraph (2) of subdivision (h) of Section 43200.1, in the development of these regulations. The state board may develop procedures to allow for a refund of a surcharge if a state board-approved after-market alternative fuel conversion device is installed on the vehicle within six months of original purchase.

- 43315.5. Not later than January 1, 2013, and every three years thereafter, the state board, in consultation with the State Board of Equalization, shall provide the Legislature with a report that does all of the following:
- (a) Describes the effectiveness of the program in reducing emissions of greenhouse gases from motor vehicles.
- (b) Identifies any adjustments made to the schedule of rebates and surcharges and the reasons for the adjustments.
- (c) Recommends any changes needed to enhance the effectiveness of the program in meeting the goals of the program.
- 43316. (a) This article does not conflict with or supersede any provision of Division 25.5 (commencing with Section 38500).
- This article does not limit the state board in implementing Division 25.5 (commencing with Section 38500).
- 21 (b) Enactment of this article shall not be construed to, or be deemed in, conflict with Section 38597.